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SIPDIS

SENSITIVE

STATE FOR WHA, WHA/CEN, AND EB/CBA
GUATEMALA FOR COMATT: DTHOMPSON

E.O. 12958: N/A

TAGS: ENRG BEXP EINV ECON EAID PREL KJUS HO
SUBJECT: ENEE BOARD ANNULS BID FOR 210 MW CONTRACT;
DECISION IN THE HANDS OF THE COUNCIL OF MINISTERS

REF: a) 01 TEGUCIGALPA 2872

- b) TEGUCIGALPA 02207
- c) TEGUCIGALPA 02857
- d) TEGUCIGALPA 03184
- e) TEGUCIGALPA 3273

¶11. (SBU) Summary. On December 19, the Board of Directors for the State-owned electricity company ENEE announced the annulment of the bid for a 210 MW electricity contract. In announcing the annulment, the Board said that the various legal challenges presented by bidders to the decision to award the contract to Honduran energy company Lufussa could tie up the bid process in the courts for years and lead to a potential national energy crisis. The annulment moves the decision on what to do with the contract to the Council of Ministers which met early on December 20 to discuss options. AES' local representative (protect) reported to the Embassy rumors that the ministers are leaning to signing a direct contract with AES for the 210 MW. End summary.

¶12. (U) On December 19, the Board of Directors for the State-owned electricity company ENEE unanimously agreed to annul the public tender for a 210 MW electricity contract. In a press conference, the President of the ENEE Board of Directors, Minister of Natural Resources Patricia Panting, remarked that the decision to annul the bid was taken to avoid a prolonged case in the court over the challenges to the decision to award the 210 MW contract to Honduran energy company Lufussa. The Board feared that the legal challenges to the bid decision would tie up the bid contract in the courts for years and impede the creation of new energy capacity to meet Honduras' energy needs beginning in 2004.

¶13. (U) On November 26, AES, Comercial Laeisz and the National Engineers group all challenged the results of the bid, arguing that Lufussa should have been disqualified for failing to include sufficient transmission facilities in its original bid offer (ref e).

¶14. (SBU) In annulling the bid process, the ENEE Board of Directors has put the responsibility of taking a decision on the 210 MW contract in the hands of the Council of Ministers which met early on December 20 to discuss options. AES' local representative reported to the Embassy that he has heard rumors from various sources that the Council of Ministers is leaning toward arranging a direct contract with AES for the 210 MW. Another option is to redo the entire bid process. Given the urgency in meeting Honduras' energy needs beginning in 2004, it seems unlikely that the GOH would embark on another public tender for the 210 MW.

¶15. (U) Minister Panting reiterated that the bid process was clean and transparent and that the annulment was not related to any irregularities in awarding the contract to Lufussa. ENEE Director Angelo Botazzi echoed Minister Panting's remarks on the transparency of the process and stated that it is in the best interest of the country to avoid a prolonged legal battle in the courts which could leave Honduras without new energy capacity in 2004. Botazzi warned of a potential energy crisis and alluded to the energy crisis of 1994, when the government's program to ration electricity led to prolonged blackouts across Honduras.

¶16. (SBU) Embassy has continuously advocated for AES to receive fair treatment during the bid process. Post is pleased that the GOH annulled the contract with Lufussa and would welcome a GOH decision to award the contract to AES, but notes that if this were to happen there would likely be negative public reaction by some interested parties.

Palmer